



# Federal/State Income Tax Institute

Nebraska Updates  
2013

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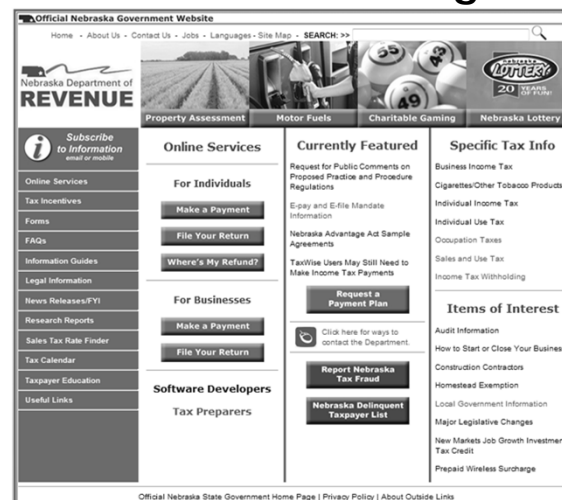
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## Today's Agenda

- Individual Income Tax
- Business Taxes
- 2013 Legislative Changes
- Additional Information
- Income and Business Tax Returns and Schedules
- 2013 Revenue Rulings
- 2013 Information Guides

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## Individual Income Tax

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## Income Tax

**General**

- High School District Code Changes
  - Hyannis 11 added under Arthur County
  - Arthur County 500 added under Grant County
- Nebraska Standard Deductions
 

	2013	2012
○ Single taxpayers	\$ 6,100	\$ 5,950
○ Head of household	\$ 8,950	\$ 8,700
○ Married, filing jointly	\$12,200	\$11,900
○ Married, filing separately	\$ 6,100	\$ 5,950
○ Qualifying Widow(er)	\$12,200	\$11,900
- Taxpayers Over Age 65 and/or Blind
  - Married taxpayers, add \$1,200 per box checked
  - Unmarried taxpayers, add \$1,500 per box checked

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## Income Tax (continued)

**General**

- Personal Exemption Credit
  - 2012 = \$123
  - 2013 = \$126
  - 2014 = \$128
- Tax Rate Reduction and Brackets Widened
  - For tax years beginning on or after January 1, 2013, individual income tax rates will be reduced. (LB 970)
  - For tax years beginning on or after January 1, 2014, individual income tax brackets will be widened. (LB 970)

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## Income Tax (continued)

**Individual Income Tax in 2012**

Bracket Number	Married, Filing Jointly	Head of Household	Single Individuals	Tax Rate
1	\$0 - 4,800	\$0 - 4,500	\$0 - 2,400	2.56%
2	\$4,800 - 35,000	\$4,500 - 28,000	\$2,400 - 17,500	3.57%
3	\$35,000 - 54,000	\$28,000 - 40,000	\$17,500 - 27,000	5.12%
4	Over \$54,000	Over \$40,000	Over \$27,000	6.84%

**Individual Income Tax in 2013**

Bracket Number	Married, Filing Jointly	Head of Household	Single Individuals	Tax Rate
1	\$0 - 4,800	\$0 - 4,500	\$0 - 2,400	2.46%
2	\$4,800 - 35,000	\$4,500 - 28,000	\$2,400 - 17,500	3.51%
3	\$35,000 - 54,000	\$28,000 - 40,000	\$17,500 - 27,000	5.01%
4	Over \$54,000	Over \$40,000	Over \$27,000	6.84%

**Individual Income Tax in 2014**

Bracket Number	Married, Filing Jointly	Head of Household	Single Individuals	Tax Rate
1	\$0 - 6,000	\$0 - 5,600	\$0 - 3,000	2.46%
2	\$6,000 - 36,000	\$5,600 - 28,800	\$3,000 - 18,000	3.51%
3	\$36,000 - 58,000	\$28,800 - 43,000	\$18,000 - 29,000	5.01%
4	Over \$58,000	Over \$43,000	Over \$29,000	6.84%

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## Income Tax (continued)

**E-file**

- Tax Preparer E-file Mandate
  - No change for tax year 2013.
  - If paid tax preparers filed **25 or more** Nebraska individual income tax returns during calendar year 2013, then they **must e-file** all individual income tax returns they are paid to prepare during calendar year 2014.
  - The penalty is \$100 for each return not e-filed.

See the [Tax Preparer E-file Mandate FAQs](#) on the Department's website.  
Neb. Rev. Stat. [§ 77-1784](#)

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Income Tax (continued)

**E-file**

- Nebraska will open on same date that the IRS officially opens.
- A qualified tax preparer can e-file both federal and state returns using IRS and state-approved software.
- Return is transmitted to the IRS Service Center.
- The Department retrieves state returns from the IRS and provides acknowledgments to the originators.

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Income Tax (continued)

**E-file**

- Most calendar year 2013 original individual income tax returns can be e-filed including:
  - Balance due returns;
  - Nonresident returns;
  - Refund returns;
  - Resident returns; and
  - Zero balance returns.
- Delinquent returns can now be e-filed.
  - Nebraska will accept 2011, 2012, and 2013 individual income tax returns through MeF.
- E-filers may schedule estimated income tax payments when e-filing their tax return.

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Income Tax (continued)

**E-file**

- Linked versus state-only returns
  - Nebraska prefers linked returns when possible, because a linked return indicates IRS acceptance of the federal return.
  - Nebraska supports e-filing state-only returns.
    - Rejected state returns are re-sent to the state.
    - A state return may be sent by itself when a taxpayer files returns in more than one state.
  - Tax preparers should check with software providers to confirm capability of state-only filing.

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Income Tax (continued)

**Computer-Prepared Returns**

- Types of errors you should watch for:
  - Misplacement/misalignment of entries on line numbers;
  - Inadequate or missing explanations for schedule entries;
  - Incorrect math calculations; and
  - Illegible returns from the tax preparer's incompatible printer.

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Income Tax (continued)

**Form 3800N**

- Audit staff reviews the return for approval of the credit
  - Proper documentation must be included
  - Business return filing is reviewed
- Processing and review can take up to 6 weeks

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Income Tax (continued)

**Documentation –  
Binary Attachments (PDF File)**

- Binary attachments can be transmitted with the electronic return.
- This eliminates the need to mail or fax documents to the Department.
- Scan and send PDF attachments with the electronic return.
- Check with your software provider to determine if an attachment option is available.

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Income Tax (continued)

**Documentation –  
Form 8453N**

- Forms can still be mailed or faxed
  - If a required document is missing from an e-filed return, an “alert” will be sent.
  - Use Form 8453N as a cover sheet.
  - Form 8453N does not need the taxpayer’s signature.
  - Priority processing is given.
  - If required documentation is not received by the Department, no additional notice will be sent.

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Income Tax (continued)

**Form Requirements**

- Form 1040N, Schedule I, Line 63
  - Schedule K-1N
    - Must be filed when a taxpayer claims an adjustment decreasing AGI on tax year 2013 Nebraska Schedule I, for S corporation, and LLC non-Nebraska source income
    - May be filed electronically
- Form 1040N, Schedule I, Line 67
  - Net Operating Loss (NOL) Worksheet
    - Must be filed when taxpayer claims adjustment decreasing AGI on tax year 2013 Nebraska Schedule I.
    - May be filed electronically
    - If missing, NOL will be disallowed

Note: The NOL carryforward deduction, Schedule I, Line 67 will also be disallowed on a paper return without a Form NOL attached.

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Income Tax (continued)

## Electronic Payment Options Available for Individuals

- **E-pay**
  - Department's online payment program.
  - Provide bank account information, and Department debits your account on date you specify.
  - Schedule payments online.
  - Use e-pay for amounts due with Form 1040N and for individual estimated income tax payments.

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Income Tax (continued)

## Electronic Payment Options Available for Individuals

- **Electronic Funds Withdrawal (EFW)**
  - Available when filing with many software products.
  - Return must be filed using Fed/State software or NebFile.
  - Taxpayer must provide payment details with the e-filed tax return.
- **Credit Card Payments**
  - Official Payments charges a convenience fee.
    - Compute this fee on their new calculator.
  - [www.officialpayments.com](http://www.officialpayments.com), 800-2PAY-TAX

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Income Tax (continued)

## Individual Income Tax Audits

- **Economic Substance**
  - Form 4797N – Special Capital Gains Election
  - Preparer's responsibilities
- **Focus on Nonfilers**
  - Professional license holders
  - IRS data matches
- **Focus on Nonresidents**
  - Schedule K-1N – S corporations
  - Partial-year residents
  - Filing income tax return when residence is in a state that doesn't have state income tax

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Income Tax (continued)

## Individual Income Tax Audits

- **Focus on itemized deductions**
  - Schedule A
  - Schedule C
- **Alimony payments**
- **Fraudulent returns**

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**Income Tax (continued)**

## Forms Changes

<b>Nebraska Schedule I — Nebraska Adjustments to Income</b> (Nebraska Schedule II reverse side.) • ATTACH THIS PAGE TO FORM 1040N.		<b>FORM 1040N</b> Schedules I, II, and III <b>2013</b>
Name on Form 1040N _____		Social Security Number _____
<b>Nebraska Schedule I — Nebraska Adjustments to Income for Nebraska Residents, Partial-Year Residents, and Nonresidents</b> • Attach additional pages if necessary.		
<b>Part A — Adjustments Increasing Federal AGI</b>		
<b>45</b> Interest income from all state and local obligations exempt from federal tax a List type: _____ b Amount: \$ _____ List type: _____ Amount: _____ Total interest income exempt from federal tax. Enter total of lines 45b ..... <b>45</b> ..... 00		
<b>46</b> Exempt interest income from Nebraska obligations a List type: _____ b Amount: \$ _____ List type: _____ Amount: _____ Total exempt interest income from Nebraska obligations. Enter total of lines 46b ..... <b>46</b> ..... 00		
<b>47</b> Total taxable interest income. Enter the result of line 45 minus line 46 ..... <b>47</b> ..... 00		
<b>48</b> Financial Institution Tax Credit claimed. Enter amount from line 25, Form 1040N ..... <b>48</b> ..... 00		
<b>49</b> Long-Term Care Savings Plan recapture (also subject to 10% penalty) (see instructions) ..... <b>49</b> ..... 00		
<b>50</b> Nebraska College Savings Program recapture (see instructions) ..... <b>50</b> ..... 00		
<b>51</b> Federal net operating loss deduction ..... <b>51</b> ..... 00		
<b>52</b> Non-Nebraska S corporation or LLC loss ..... <b>52</b> ..... 00		
<b>53</b> Total adjustments increasing federal AGI (total lines 47 through 52). Enter here and on line 12, Form 1040N ..... <b>53</b> ..... 00		

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**Income Tax (continued)**

<b>Nebraska Schedule I — Nebraska Adjustments to Income</b> (Nebraska Schedule II reverse side.) • ATTACH THIS PAGE TO FORM 1040N.		<b>FORM 1040N</b> Schedules I, II, and III <b>2013</b>
<b>Part B — Adjustments Decreasing Federal AGI</b>		
<b>54</b> State income tax refund deduction. Enter line 10, Federal Form 1040 ..... <b>54</b> ..... 00		
<b>55</b> U.S. government obligations exempt for state purposes (list below or attach schedule) a List type: _____ b Amount: \$ _____ List type: _____ Amount: _____ Total U.S. government obligations exempt for state purposes. Enter total of lines 55b ..... <b>55</b> ..... 00		
<b>56</b> List fund name, total dividend, and percent of regulated investment company dividends from a U.S. obligation: _____ b Total dividend: \$ _____ x _____ % = d \$ _____ a U.S. obligation: _____ b Total dividend: \$ _____ x _____ % = d \$ _____ Total regulated investment company dividends. Enter total of lines 56d ..... <b>56</b> ..... 00		
<b>57</b> Total U.S. government obligations. Enter total of lines 55 and 56 ..... <b>57</b> ..... 00		
<b>58</b> Benefits paid by the Railroad Retirement Board (RRB) included in the federal AGI. Attach all Forms 1099 and W-2 from the RRB. a List type: _____ b Amount: \$ _____ List type: _____ Amount: _____ Total benefits paid by the RRB included in federal AGI. Enter total of lines 58b ..... <b>58</b> ..... 00		
<b>59</b> Special capital gains/extraordinary dividend deduction (attach Form 4797; a copy of Federal Schedule D; and Form 8949 (or Federal Schedule B when claiming extraordinary dividend deduction)) (see instructions) ..... <b>59</b> ..... 00		
<b>60</b> Nebraska College Savings Program contribution (see instructions) ..... <b>60</b> ..... 00		
<b>61</b> Nebraska Long-Term Care Savings Plan contribution ..... <b>61</b> ..... 00		
<b>62</b> Nebraska Long-Term Care Savings Plan earnings ..... <b>62</b> ..... 00		
<b>63</b> Non-Nebraska S corporation and LLC income (attach Nebraska Schedules K-1N, see instructions) ..... <b>63</b> ..... 00		
<b>64</b> Nonresident military service member active duty pay (attach active duty Form W-2 from another state) ..... <b>64</b> ..... 00		
<b>65</b> Native American Indian Reservation income ..... <b>65</b> ..... 00		
<b>66</b> Claim of right repayment ..... <b>66</b> ..... 00		
<b>67</b> Nebraska NOL carryforward (attach Nebraska NOL Worksheet) ..... <b>67</b> ..... 00		
<b>68</b> Nebraska agricultural revenue bond interest ..... <b>68</b> ..... 00		
<b>69</b> Federally taxable Nebraska Investment Finance Association (NIFA) bond interest ..... <b>69</b> ..... 00		
<b>70</b> Interest from federally taxable Build America Bonds issued by Nebraska governmental units ..... <b>70</b> ..... 00		
<b>71</b> Total adjustments decreasing federal AGI (total lines 54 and 57 through 70). Enter here and on line 13, Form 1040N ..... <b>71</b> ..... 00		

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**Income Tax (continued)**

<b>Nebraska Schedule III — Computation of Nebraska Tax</b>		<b>FORM 1040N</b> Sch. I, II, and III <b>2013</b>
Name on Form 1040N _____		Social Security Number _____
<b>Nebraska Schedule III — Computation of Nebraska Tax for PARTIAL-YEAR RESIDENTS AND NONRESIDENTS ONLY</b> • You must complete lines 1 through 14, Form 1040N. If you have state, local, or federal bond interest or other adjustments, complete Parts A and B of Nebraska Schedule I. Use Schedule III to calculate your Nebraska tax liability. • You do not have to provide a copy of other state returns when filing Schedule III.		
<b>77</b> Income derived from Nebraska sources. Include income from wages, interest, dividends, business, farming, Nebraska unemployment payments, severance payments connected to Nebraska employment, partnerships, S corporations, limited liability companies, estates and trusts, gain or loss, rents, royalties, and financial institution tax credit amount. If there is no Nebraska income or loss, enter -0-. a List type: _____ b Amount: \$ _____ List type: _____ Amount: _____ Total income derived from Nebraska sources. Enter total of lines 77b ..... <b>77</b> ..... 00		
<b>78</b> Adjustments as applied to Nebraska income, if any (see instructions) a List type: _____ b Amount: \$ _____ List type: _____ Amount: _____ Total adjustment as applied to Nebraska income. Enter total of lines 78b ..... <b>78</b> ..... 00		
<b>79</b> Nebraska adjusted gross income (line 77 minus line 78) ..... <b>79</b> ..... 00		
<b>80</b> Ratio — Nebraska's share of the total income (calculate to 5 decimal places, and round to 4): Line 79 Line 5 + Line 12 - Line 13 = _____ + _____ - _____ = _____ <b>80</b> ..... 00		
<b>81</b> Nebraska Taxable Income (line 14, Form 1040N) ..... <b>81</b> ..... 00		
<b>82</b> Nebraska tax calculation (see instructions) a Tax on Nebraska taxable income from line 81 ..... <b>82 a</b> \$ ..... b Additional tax, if applicable, from Additional Tax Rate Schedule ..... <b>82 b</b> \$ ..... c Subtotal (add line 82a and line 82b) ..... <b>82 c</b> \$ ..... d Credits — list types: _____ Total ..... <b>82 d</b> \$ ..... Line 82c minus line 82d ..... <b>82</b> ..... 00		

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**Income Tax (continued)**

<b>Nebraska Schedule III — Computation of Nebraska Tax</b>		<b>FORM 1040N</b> Sch. I, II, and III <b>2013</b>
<b>83</b> Multiply personal exemption credit of \$128 by the number of federal exemptions on line 4 ..... <b>83</b> ..... 00 <b>84</b> Tax after personal exemption credit (line 82 minus line 83). If less than \$0, enter -0- here, and if you have any minimum or other tax due, apply any unused personal exemption credit against it on line 86f ..... <b>84</b> ..... 00 <b>85</b> Nebraska income tax. Multiply line 84 by the ratio you computed on line 80. Enter result here and on line 15, Form 1040N ..... <b>85</b> ..... 00		
<b>86</b> Nebraska minimum or other tax: a Federal Alternative Minimum Tax (recalculated Form 6251) ..... <b>86 a</b> \$ ..... b Federal Tax on Lump Sum Distributions (Form 4972) ..... <b>86 b</b> \$ ..... c Federal tax on early distributions (lesser of Form 8329 or line 58, Fed. Form 1040) ..... <b>86 c</b> \$ ..... d Subtotal (add lines 86a, b, and c) ..... <b>86 d</b> \$ ..... e Tax calculation. Multiply line 86d x .296 (29.6%) ..... <b>86 e</b> \$ ..... f Enter any unused personal exemption credit from the calculation on line 84 ..... <b>86 f</b> \$ ..... g Subtract line 86f from line 86e ..... <b>86 g</b> \$ ..... Multiply line 86g by line 80 ratio. Enter result here and on line 16, Form 1040N ..... <b>86</b> ..... 00		
<b>87</b> Earned income credit (Partial-Year Residents Only) a Number of qualifying children. Enter here and on line 33, box 97, Form 1040N ..... <b>87 a</b> ..... b Enter federal earned income credit from federal tax return here and on line 33, box 98, Form 1040N ..... <b>87 b</b> \$ ..... Multiply line 87b amount by .10 (10%). Enter the result here. (see instructions) ..... <b>87</b> ..... 00		
<b>88</b> Nebraska earned income credit. Multiply line 87 by the ratio you computed on line 80 (attach federal tax return pages 1 and 2 to your return). Enter result here and on line 33, Form 1040N ..... <b>88</b> ..... 00		

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Income Tax (continued)

### Additional Tips

- Purchase software that supports all Nebraska forms and schedules. If not all are supported, contact the software vendor.
- For 2013 returns, the alert status will only appear in the acknowledgement if some action is needed.
- Once an alert is issued, the Department will wait 15 days for the information. If not received, the credit or adjustment will be disallowed.
- Form 8453N can be mailed or faxed. Include only the requested forms.

For more information on reject and alert messages, see [E-file Business Rules](#).

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Income Tax (continued)

### Additional Tips

- Schedule III should always have a value on the line for Income Derived from Nebraska sources.
  - This can only be zero if there is no Nebraska source income or loss.
- Once a return has been filed and accepted, the only way to correct it is to file a paper amended return.

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Income Tax (continued)

### Additional Tips

- If you are filing electronically, and claiming a deduction for Tier 1 or Tier 2 Railroad Retirement benefits on Schedule I, you must input the information from any of the following federal forms:
  - Form 1099-R
  - Form 1099-G (unemployment)
  - Form W-2 (sick pay)

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Income Tax (continued)

### Additional Tips

- If the following deductions or credits are being claimed, be sure to submit the supporting forms, either as binary attachments or with the Form 8453N.

Deduction or Credit	Form
Withholding credit	Schedule K-1N*
Non-Nebraska S corporation or LLC income	Schedule K-1N or K-1**
Railroad Retirement Tier 1 or Tier 2 benefits	Form RRB-1099 and/or Form RRB-1099-R
NE net operating loss carryforward	Form NOL

\*The Schedule K-1N information can be entered when the electronic return is prepared if the software provider supports this submission in xml. In this case, no binary attachment or Form 8453N needs to be sent to the Department.

\*\*The Federal Schedule K-1 may be submitted for an S corporation or LLC with no Nebraska income or loss.

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## Income Tax (continued)

**Additional Resources**

- **Software Developers**
  - The Department has developed technical instructions for software developers.
  - The handbooks include business rules for rejects and alerts.
- Draft forms are located on the [Software Developers](#) page.
- The Nebraska Handbook for Electronic Filers of Individual Income Tax Returns can be found by clicking on "[Tax Preparers](#)" at [revenue.nebraska.gov](http://revenue.nebraska.gov).

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## Income Tax (continued)


**Use Tax**

- Report individual use tax on Line 38 of Form 1040N.
- Report a credit for tax paid to another state on [Form 2](#).
- Report use tax to multiple local jurisdictions on [Form 3](#).

Note: Do not report business use tax on Form 1040N.

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## Income Tax (continued)

 <b>Nebraska Individual Income Tax Return</b> for the taxable year January 1, 2013 through December 31, 2013 or other taxable year:		FORM 1040N <b>2013</b>
Your First Name and Initial _____ Last Name _____ If a Joint Return, Spouse's First Name and Initial _____ Last Name _____ Current Mailing Address (Number and Street or PO Box) _____ City _____ State _____ Zip Code _____		PLEASE DO NOT WRITE IN THIS SPACE
38 Use tax due on in-state and out-of-state purchases. See instructions. Enter purchases subject to state tax #1 \$ _____ State tax #2 \$ _____ (purchases x 5.5%); Enter purchases subject to local tax #3 \$ _____ Local tax #4 \$ _____ (purchases x local rate of _____ %); 95 Local code _____ (see local rate schedule); Add state and local taxes and enter on line 38. If no use tax is due, enter -0- on line 38.		

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## Business Taxes

**E-filing and E-pay Mandates**

The payment threshold is lowered annually.

- July 1, 2013                      \$ 9,000
- July 1, 2014                      \$ 8,000
- July 1, 2015                      \$ 7,000

Any businesses with multiple locations that have been granted permission to file "combined" sales tax returns **must** e-file.

For more detailed information on e-file and e-pay requirements, see our [website](#).

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## Business Taxes (continued)

**NebFile for Business**

- E-filing sales and use taxes. Beginning July 1, 2013, all taxpayers making sales and use tax payments of more than \$9,000 each year are required to e-file sales and use tax returns and e-pay any tax amounts due.
- Going Paperless. Form 10 is not mailed to:
  - Any taxpayers required to e-file; or
  - Any taxpayers who e-filed their previous return.

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## Business Taxes (continued)

**Electronic Payment Options****Supported Tax Programs:**

- Air Carrier
- Car Line
- Cigarette Purchase Orders
- Cigarette Tax Returns
- Corporate Income Tax
- Documentary Stamp Tax
- Fiduciary Income Tax
- Litter Fee
- Lodging Tax
- Motor Fuels Taxes
- Motorboat Sales Tax
- Partnership Income Tax
- Prepaid Wireless Surcharge
- Sales Tax
- Severance and Conservation Tax
- Tire Fee
- Tobacco Products Tax
- Use Tax
- Waste Reduction and Recycling Fee
- Income Tax Withholding

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## Business Taxes (continued)

The screenshot shows the Nebraska Department of Revenue website. At the top, there's a navigation bar with links: Home, About Us, Contact Us, Jobs, Languages, Site Map, and a search bar. Below this is a banner for the Nebraska Department of Revenue with a background image of a field and a person. The main heading is "Electronic Payment Options for State Taxes". Under this heading, there's a "Mandate Information" section with a "Nebraska e-pay" button. Below that, there's a section for "ACH Credit" with a button, followed by "Tele-pay" with a button, and "Credit Card" with a button. At the bottom, there's a "Payment Plan" button. The footer contains the text "Official Nebraska State Government Home Page | Privacy Policy | About Outside Links".

## Business Taxes (continued)

## Electronic Payment Options Available for Businesses

### • E-pay

- Be sure your payment is on time!
- Schedule your payment before the due date.
- Enter a scheduled payment date no later than the day after the due date. (Note: Your scheduled payment date cannot be set for the same day you set up your payment. It must be at least one banking day in the future.)
- If you wait until the due date to schedule your payment, you must finish the entry and be issued a confirmation number no later than 5:00 p.m. CST. Make sure you select the next banking day as your scheduled payment date.

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## Business Taxes (continued)

When setting up a payment in e-pay, be sure to enter the correct payment amount with the decimal point.

## Business Taxes (continued)

If you fail to enter the decimal point...  
the \$5,000 payment will become \$500,000!

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## Business Taxes (continued)

## Electronic Payment Options Available for Businesses

### • ACH CREDIT

- Be sure your payment is on time!
- Your financial institution must successfully deposit your tax payment no later than the first banking day after the due date.
- You must contact your financial institution to determine the date you must initiate payment to ensure your payment is transferred in a timely manner.

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## Business Taxes (continued)

## Electronic Payment Options Available for Businesses

- Credit Card
  - Schedule secure credit card payments at [officialpayments.com](http://officialpayments.com), or call 800-2PAY-TAX.
  - Official Payments charges a convenience fee.
  - Compute the fee on their new calculator.
- Tele-pay
  - Call 1-800-232-0057 to make a payment.

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## Business Taxes (continued)

## Income Tax Withholding

- When filing wage and tax statements, any employer or payor who issues more than 50 wage and tax statements must e-file those statements with the Department.
  - This includes Forms W-2, W-2G, 1099-R, and 1099-MISC.
  - Statements must be filed by February 1<sup>st</sup>.
  - We have a W-2 file creator to assist you with uploading W-2s electronically. See the [instructions on our website](#).

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## Business Taxes (continued)

## Income Tax Withholding

- For a taxpayer to claim withholding credit, the Nebraska State ID number needs to be in the appropriate box on the Forms W-2 and 1099.
- The 2013 Circular EN will continue to be used for 2014.

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## Business Taxes (continued)

## Market-based Apportionment for Multi-state Businesses

- Source income from the sales of intangibles and services to the location of the customer.
- Communications companies will continue to source income to the location where the income-producing activity is performed.
- Currently, sales of intangibles and services are sourced to the location where the income-producing activity was performed (cost of performance apportionment).

**LB 872**, Operative Date: January 1, 2014

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## 2013 Legislative Changes

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### Legislative Changes

## Local Sales Tax

Neb. Rev. Stat. § 77-27,142

- A municipality, except Omaha, may impose a local sales tax of 1.75% or 2% if the rate increase is approved by at least 70% of the municipality's governing body and by a vote of the voters residing in the municipality.
- For further information, contact Karen Barrett at 402-471-5980.

Note: Effective January 1, 2014, the county of Dakota will terminate its county sales and use tax.

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### Legislative Changes (continued)

## Nebraska Prepaid Wireless Surcharge

- Retailers collect a 1.1%\* surcharge on sales of prepaid wireless telecommunications services including:
  - Prepaid mobile phones;
  - Prepaid phone cards; or
  - Recharging of prepaid phones and cards.
- Form E911N due on 20<sup>th</sup> day of the month following the reporting period (same as sales tax).
- E-file or mail your return.
  - Retailers are required to e-file if they are already mandated to e-file sales tax returns.

\*Note: Beginning January 1, 2014, the surcharge will be 1.0%.

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### Legislative Changes (continued)

Nebraska Department of REVENUE		Nebraska Prepaid Wireless Surcharge Return		FORM E911N	
Nebraska ID Number		Tax Period		PLEASE DO NOT WRITE IN THIS SPACE	
Due Date					
NAME AND LOCATION ADDRESS		NAME AND MAILING ADDRESS			
<input type="checkbox"/> Check this box if your business has permanently closed, has been sold to someone else, or your license is no longer needed. New owners must apply for their own prepaid wireless surcharge license.					
1	Total gross sales from all prepaid wireless telecommunications services. Combined filers should report total from all locations.	1		00	
2	Total allowable deductions — see instructions	2		00	
3	Net taxable sales of prepaid wireless telecommunications services (line 1 minus line 2)	3		00	
4	Prepaid wireless surcharge (line 3 multiplied by 0.011)	4			
5	Prepaid wireless surcharge collection fee (line 4 multiplied by .03)	5			
6	Net prepaid wireless surcharge due (line 4 minus line 5)	6			
7	Previous balance with applicable interest at % per year	7			
8	Total balance due (line 6 plus line 7)	8			
Under penalty of law, I declare that as a taxpayer or tax preparer, I have examined this return, including accompanying schedules, and to the best of my knowledge and belief, it is correct and complete.					
<b>sign here</b> Taxpayer Signature _____ Date _____ Daytime Phone Number _____ Email Address _____		Signature of Preparer Other Than Taxpayer _____ Date _____ Daytime Phone Number _____ Email Address _____			
THIS RETURN IS DUE ON OR BEFORE THE 20 <sup>TH</sup> DAY OF THE MONTH FOLLOWING THE TAX PERIOD INDICATED ABOVE. Mail this return and payment to NEBRASKA DEPARTMENT OF REVENUE, PO BOX 98923, LINCOLN, NE 68509-8923. www.revenue.ne.gov, 800-742-7474 (NE and IA), 402-471-5729					

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## Legislative Changes

**Income Tax**

- Changes to college savings plan (LB 296)
  - Increase contribution limitations
  - Contributions by custodians
  - Qualified rollovers from another state
  - Successor account owner
- Eliminate alternative minimum tax (LB 308)
- ESOP owners qualify as shareholders for special capital gains (LB 573)
- 20-year net operating loss carryforward (LB 308)
  - Corporate only; does not apply to capital losses

\*Note: Effective January 1, 2014.

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## Legislative Changes (continued)

**Sales and Use Tax**

- Liquor sales from out-of-state retailers (LB 230)
  - Any craft brewer, craft distillery, farm winery, or direct retailer shipping alcoholic beverages into Nebraska must obtain a shipper's license from the Nebraska Liquor Control Commission.
  - Shipping into Nebraska is deemed to create nexus for sales tax purposes and the shipper must collect and remit sales tax and obtain a Nebraska sales tax permit.

\*Note: Effective September 6, 2013.

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## Legislative Changes (continued)

**Sales and Use Tax**

- Authorize net metering (LB 90)
- Liquor sales from out-of-state retailers (LB 230)
  - Any craft brewer, craft distillery, farm winery, or direct retailer shipping alcoholic beverages into Nebraska must obtain a shipper's license from the Nebraska Liquor Control Commission.
  - Shipping into Nebraska is deemed to create nexus for sales tax purposes and the shipper must collect and remit sales tax and obtain a Nebraska sales tax permit.

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## Legislative Changes (continued)

**Tax Incentives**

- Renewable energy projects (LB 104)
  - Tier 5 Projects - \$20M investment
- Administrative simplifications (LB 34)
  - Definition of taxpayer
  - Definition of year
  - Definition of salaried employee
  - 180-day review of applications and agreements
  - Confidentiality regarding transferred projects
- Annual report to legislature (LB 612)

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## Additional Information

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Additional Information

### Defense of Marriage Act

- United States v. Windsor, 570 U.S. \_\_\_\_ (2013)
  - Invalidated the federal definition of marriage.
- IRS Rev. Rul. 2013-17 - same-sex couples, legally married in jurisdictions that recognize their marriages, will be treated as married for federal tax purposes.
  - The ruling applies federally regardless of whether the couple lives in a jurisdiction that recognizes same-sex marriage or a jurisdiction that does not recognize same-sex marriage.

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Additional Information (continued)

### Defense of Marriage Act

- Neb. Const. Art. I, Sec. 29 –
  - Only marriage between a man and a woman shall be valid or recognized in Nebraska. The uniting of two persons of the same sex in a civil union, domestic partnership, or other similar same-sex relationship shall not be valid or recognized in Nebraska.
  - Nebraska cannot accept returns filed as married filing jointly or married filing separately from same-sex married taxpayers.
  - Same-sex married taxpayers must file returns as single or head of household, if qualified.

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Additional Information (continued)

### Disaster Relief

- The Nebraska Department of Revenue will follow IRS' guidance for income tax purposes, which postpones certain deadlines for taxpayers affected by federally declared natural disasters.
- See Revenue Ruling 99-09-2, IRS Disaster Relief.
- Affected taxpayers should mark paper tax returns by identifying the specific disaster designation, such as "Colorado Storms," at the top of the return.
- Taxpayers who e-file their returns can use their software's "disaster" feature, if available.

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Additional Information (continued)

## Tax Incentive Refunds

- The State will not deduct a direct refund of local sales tax under the Nebraska Advantage Act or Employment and Investment Growth Act from the local sales tax receipts of a village or first or second class city for at least one year after that refund is paid by the State.\*
- If a refund exceeds 25% of a municipality's total sales and use tax receipts for the prior fiscal year, the refund will be deducted in 12 equal installments commencing one year after the refund is paid to the taxpayer.

\*Under LB 312, a refund in excess of \$25,000 will be delayed based on the date the refund claim is filed by the taxpayer.

For more information, see [LB 209](#).

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Additional Information (continued)

## Tax Incentive Refunds

- LB 209 does not apply to:
  - Credit refunds under the Nebraska Advantage Act
  - Credit refunds under the Employment and Investment Growth Act
  - Direct refunds of sales tax for Omaha or Lincoln under the Nebraska Advantage Act or the Employment and Investment Growth Act
  - Any other sales tax refunds

For more information, see [LB 209](#).

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## Income and Business Tax Returns and Schedules

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## 2013 Revenue Rulings

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## Revenue Rulings

**Individual Income Tax**

- Computation of 2012 Alternative Minimum Tax to Determine Nebraska Minimum Tax for the 2012 Nebraska Return.....02/13/13
- Computation of 2012 Credit for Prior-Year Minimum Tax to Determine Nebraska Minimum Tax for the 2012 Nebraska Return.....02/13/13
- Tax Guidance for Individuals in a Same-Sex Marriage.....10/24/13

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## Revenue Rulings (continued)

**Fiduciary Income Tax**

- Computation of 2012 Alternative Minimum Tax to Determine Nebraska Minimum Tax for the 2012 Nebraska Return.....02/26/13
- Computation of 2012 Credit for Prior-Year Minimum Tax to Determine Nebraska Minimum Tax for the 2012 Nebraska Return.....02/26/13

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**Charitable Gaming and Tax Incentives**

- Player Access Devices.....01/02/13
- Amending a Nebraska Advantage Act Agreement.....07/22/13
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## Revenue Rulings (continued)

**Individual & Fiduciary Income Tax**

- The Revenue Rulings for the 2013 Nebraska Minimum Tax calculations will be published soon. Please check our website for this information.

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